



CALPEEK

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SCHWARZENEGGER'S FISCAL DILEMMA – PART II.

Editor's note: As Gov.-elect Arnold Schwarzenegger(R) prepares to enter office in mid-November, the game plan seems to be a "roll over the debt strategy." In other words, refinance Calif.'s operating debt with a big \$10-12 billion general obligation bond approved by voters. What this does is buy time to allow the new governor to focus on putting in place some key structural changes that will prevent this current fiscal/budget problem from happening again. Here's our analysis & commentary...

...The politics of turning this strategy into reality is much easier said than done. Even the passage of a \$10-12 billion GO bond and a constitutional amendment to allow this kind of financing might prove extremely difficult. It's like walking through a political mind field, not to mention pending legal actions aimed at blocking the sale of both "deficit" bonds and pension bonds. CA Treasurer Phil Angelides(D) issued a warning to the governor-elect that he'd better have a back-up plan just in case Plan A doesn't fly...

...The long-term fiscal fix could prove just as tricky and difficult as the short-term fix. GOP purists want Calif. to return to some form of strict spending limit. And while voters in 1979 OKed the Gann Spending Limit Initiative, it's been by-passed a zillion times, thanks to ballot box budgeting – Props. 98, 99, 111 and yes, even Prop. 49 (Schwarzenegger's After School Initiative). Assemblyman John Campbell(R-Orange Co.) still has ACA 6 on the table. It's a spending cap constitutional amendment which he has been pushing for more than a year. But it has problems. Sources say it allows special funds under the caps which is a disguised way of limiting the application of the Sinclair Paint decision (when is a fee a tax). And ACA 6 does not deal with Prop. 98 and its crowd out affect. In addition, ACA 6 removes current Gann exemptions for programs mandated by voters (Prop. 49). And it also could hurt infrastructure projects by repealing the current Gann exemption...

...Are there other structural changes Gov. Arnold might look at? Some of the Eastern States are considered the best run because they have 3 things in common (all part

of those states' constitution): 1) balanced budget requirement; 2) a strong reserve (for emergencies); and 3) the power of the governor to reduce or impound funds after the budget is approved, to keep the budget in balance at mid-year. Some insiders think Assemblymembers Keith Richman(R-Northridge) and Joe Canciamilla(D-Contra Costa) and the moderate bi-partisan group of 12-15 members may be looking at something along these lines...

...There is yet another structural budget reform proposal on the table: the Budget Accountability Act. This CTA-SEIU backed initiative will be on the March ballot. It reduces from 2/3rds to 55% the vote to pass a budget or new taxes. Some business groups, such as the CA Tax-payers Assn. and the Calif. Chamber, are already up in arms. Although the new governor-elect has not taken a position on this 2004 initiative, BAA sources hope he'll remain neutral. The last thing Gov. Arnold needs is a war with CTA/SEUI, especially if his bond proposal is on the same ballot. Stay tuned...

RECALL POSTMORTEM: LOCKYER SAYS HE VOTED FOR ARNOLD, AS ROUTINE SEMINAR MAKES NEWS.

Editor's note: These after-election academic postmortems where political consultants and poli-sci professors trade views and opinions are usually pretty dull. Not so at the UC Berkeley's Inst. of Govt. Studies postmortem held on Oct. 18th. By now Calpeek readers know that Demo AG Bill Lockyer dropped a small A-bomb at the conference when he said voted for Arnold Schwarzenegger(R) in the Oct. 7th recall. But he said much more than that – some of which hasn't made ink, until now. Here's our analysis & commentary...

...Lockyer, who some consider one of the leading contenders for governor in 2006, said he voted against the recall, but couldn't bring himself to vote for Demo Lt. Gov. Cruz Bustamante. Here's the first nasty quote about the LG from Lockyer which has been widely reported: *You know people in your profession really well. You know who works hard and who doesn't. You know who's honest and who isn't. And that's all I'm going to say.* "...

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...But that wasn't all he said and this next quote really shocked some insiders who attended. It was about the various choices he faced on the ballot: *"It came down to the Terminator, the masturbator and the prevaricator. I'll let you figure it out."* This quote has been confirmed by sources who attended the postmortem. It's no mystery who the Terminator is, but we won't go near the other two categories...

...Some thought this last quote was nothing more than *puke politics* – only this time by Lockyer. It was Lockyer who POed the Davis campaign last summer with his "puke politics" statement, a reference to Davis' negative tv ads run against Bill Simon Jr. Davis strategist Garry South bashed Lockyer at the seminar, saying his "puke politics" comment was nothing more than *sanctimonious posturing*. And later this past week, South told *Calpeek* that Lockyer's "puke politics" comment was like "giving aid and comfort to the enemy." And South said he suspected that Lockyer may have been "playing footsie with Arnold" from day one. Question: did Lockyer's "puke politics" comment give Schwarzenegger some much needed cover when the *L.A. Times* ran the *Gropegate* stories? A very definite YES...

...The Arnold-Lockyer relationship is long-standing and goes back to Lockyer's interest in after school programs, when he served as chair of the State Senate Judiciary Cmt. back in the 1990s. FYI: Sources say Arnold backed Lockyer for AG in 1998 and 2002 and Lockyer reciprocated by being co-chair of Schwarzenegger's Prop. 49 in 2002...

...Back to Gropegate: Some might argue Lockyer has given Schwarzenegger a pass on the Gropegate allegations. Consultant and political pr operative Kelly Hayes-Raitt told *Calpeek* she was livid when she read Lockyer's comments about Schwarzenegger. "The person who is the chief law enforcer in Calif. has said to women who have been sexually battered, 'What happened to you is nothing more than frat boy behavior.' That's outrageous. It's the AG's job to look into these allegations," she said...

...It remains to be seen whether Lockyer's comments (about Bustamante and Gropegate) and his admission that he voted for GOper Schwarzenegger will come back to hurt him later on. This wasn't the first time Lockyer has said things which have come back to bite him. Remember what he said about former Enron CEO Ken Lay being locked up in a jail cell with a guy named *Spike*? Stay tuned...

CAMPAIGN 2004: CALIFORNIA INITIATIVE UPDATE.
Editor's note: Here's a brief update on initiative and ballot measure activity for 2004...

● ***Mental Health Services Expansion and Funding. Tax on Incomes Over \$1 million. Statute.*** Provides funds to counties to expand services and develop innovative programs and service plans for mentally ill children, adults and seniors. Imposes additional 1% tax on taxable income over \$1 million to provide dedicated funding. Proponents are Assemblyman Darrell Steinberg and Sherman Russell Selix Jr. (916)557-1166. They have until Mar. 15th to collect 373,816 valid signatures...

● ***Protecting Local Govt. Funds*** – As *Calpeek* hit deadline, a group of Calif. mayors was planning to submit an initiative to the AG's office that would ban the State from cutting funds set aside for local govt., unless there's a statewide vote. This initiative is obviously a reaction to Gov.-elect Arnold Schwarzenegger's campaign promise to undo the tripling of the *car tax* (aka the VLF). As *Calpeek* has noted numerous times, about 70% of the VLF funds returned to city/county govt. by the State is used for public safety. Without the VLF *backfill* to the locals, cities would have to terminate police and fire-fighters – *first responders*. Not a very good idea at this particular time. Two of the key sponsors of this proposed initiative are Riverside Mayor Ron Loveridge and Sacramento Mayor Heather Fargo...

● ***Open Primary Initiative*** – Backers for a new open primary law for Calif. have hired Arno Political Consultants (Sacto based) Progressive Campaigns (Santa Monica based) to handle the paid petition circulation for this initiative. As noted last week, supporters have until Mar. 4, 2004 to collect 598,105 signatures. A campaign kick-off is expected within the next 10 days or so. Former L.A. Mayor Richard Riordan, Demo Controller Steve Westly, former White House COS Leon Panetta and former State Sen. Becky Morgan(R) will be part of the campaign team, as will political consultant Garry South. Stay tuned...

CALPEEK's NEW CAMPAIGN DIRECTORY ON SALE

Calpeek's 2003-04 Directory of Campaign Consultants is now on sale to subscribers only. The 60-page Directory contains more than 300 listings of consultants, campaign managers, pollsters, fundraisers, election law attorneys, FPCC-FEC specialists and slates makers. The cost is a low \$30. Checks only, no credit cards and absolutely no invoicing. Send checks to *Calpeek* @ P.O. Box 1468, Beverly Hills, CA 90213. Be sure to include either a businesscard or a short note with the name of the person who is receive the Directory. We'll be sending the Directory via 1st class mail. Non-subscribers should contact *Calpeek* (310)659-0205 to inquire about a subscription...

CAMPAIGN 2004: UPDATE ON U.S. SENATE CONTEST.

Editor's note: During the recall election there was hardly a word printed about the upcoming 2004 U.S. Senate contest here in Calif. where 2-term incumbent Barbara Boxer(D) is seeking a 3rd term. That suited Boxer just fine, as she spent much of the past 3 months (from early July to late September) raising a warchest for her reelection campaign. As for her three GOP rivals, collectively they're still *under-funded unknowns*. Will that change? Does the recall win of Arnold Schwarzenegger(R) mean doom for Boxer? Here's our brief update & analysis...

...Now that the recall is history, there will be more attention paid to the 2004 U.S. Senate campaign. And there are some hot issues which are sure to surface: the economy, the post-war Iraqi situation, homeland security, the environment and health care...

...Calif. Republicans are now very upbeat about their 2004 prospects because of the recall. But Demos say the recall was about Gray Davis, one most unpopular governor in Calif.'s recent history – and that voter displeasure won't be transferred to Boxer. On the other hand, regardless of whom the GOP picks in March, be assured that Arnold Schwarzenegger will be there helping that nominee to raise a *credible warchest*. That's the key thing Gov. Schwarzenegger brings to the table in the U.S. Senate campaign and it's critical if the GOP is to upset Boxer...

...At this point Boxer has only three GOP challengers: Assemblyman Tony Strickland of Camarillo; former U.S. Treasurer Rosario Marin of Huntington Park; and former Los Altos Mayor Toni Casey. Strickland and Marin are due to make a formal announcement in early November...

...In the wings, exploring this race, is former GOP Sec. of State Bill Jones. Some think that if Jones decided to run, Strickland might drop out. Others disagree, saying Strickland (like his mentor Tom McClintock) is in for the long haul – hoping to build up name ID and points for perhaps a future run at Statewide office in 2006...

...Will Jones run? A mixed reaction from GOP sources. Some think he will, while others say he no longer has the *fire in the belly*. If he should run, he'd become the front-runner overnight. Or as one GOP source said, "In the land of the blind, the one-eyed man is king." Those who think Jones ought to stay out describe him as "just another conservative White man from the Central Valley." In other words, he does not fit the mold needed to win Statewide

in Calif. And the mold, as defined by Gov.-elect Schwarzenegger, is fiscally conservative and socially moderate. Jones fits the first part, but not the second. And Jones does carry some baggage: he voted for the big Wilson tax hike in the early 1990s and some major GOP contributors still haven't forgiven him for flip-flopping from George Bush to John McCain in 2000...

...FYI: Boxer's fundraising for the July 1-Sept. 30 reporting period brought her total contributions to \$7.35 million, with more than \$4 million cash on hand. Casey's coh was just \$322,000 and Strickland's was \$48,000. No report from Marin as yet (FYI: she was still pretty much in the exploratory phase of the campaign during this time). Stay tuned...

CAMPAIGN 2004: UPDATE ON LEGISLATIVE RACES.

Editor's note: Here is *Part XXIV* in our continuing series of updates about key U.S. House and CA Legislative primary races...

☒ *5th AD* – GOP Assembly Leader Dave Cox(R) is *termed out* and is running for State Sen. Rico Oller's 1st SD seat in No. Calif. Running for Cox's 5th AD seat is Sacto Co. Sup. Roger Niello(R), who was first elected in 1999. He's got a long list of endorsements, including Cox, U.S. Reps. Ose, Doolittle & Pombo, GOP Senate Leader Jim Brulte and State Sen. Oller. He's also been endorsed by Sacto Co. DA Jan Scully and Sacto Co. Sheriff Lou Blanas. Niello has hired Jim Nygren as his lead consultant...

☒ *20th CD Update* – In the Demo primary to replace U.S. Rep. Cal Dooley(D-Visalia), former State Sen. Jim Costa(D-Fresno) has picked up two key endorsements: Assemblywoman Sarah Reyes(R), who was seriously looking at the 20th but decided to pass; and State Sen. Dean Florez(D). In addition, Costa has won backing from 16 mayors from the 20th CD + U.S. Sen. Dianne Feinstein, AG Bill Lockyer, Tres. Phil Angelides, Supt. of Schools Jack O'Connell, Insurance Comm. John Garamendi + U.S. Reps. Berman, Baca, McDonald, Waters, Watson, Thompson, George Miller & Schiff. The 20th CD is almost identical to Costa's old SD. Costa has hired consultant Larry Sheingold...

☒ *63rd AD Update* – It didn't take long for GOP Senate Leader Jim Brulte of Rancho Cucamonga or BOE Member Bill Leonard of Upland to make another endorsement in this heated GOP primary. Both had originally endorsed Lyn Greene, who withdrew from the primary a few weeks ago. Now Brulte and Leonard are backing

orthodontist Bill Emmerson, who is a very active member of the Calif. Dental Assn. and its PAC. One of Emmerson's key rivals is Elia Pirozzi, who just won the endorsement of the CA Assn. of Realtors. Does this set up a big confrontation between CDA's PAC vs. CAR's PAC???

☒ **30th AD** – Looks like a repeat from 2002, as 1st term Demo Assemblywoman Nicole Parra of Hanford may again face GOP businessman Dean Gardner of Bakersfield. Gardner announced his intent to run once again. No shock to local area Demos as Parra defeated Gardner by a slim 266 votes last year. If Gardner had received some of that last minute money from 21st Century, he might have beaten Parra. Demos funneled about \$1.5 million into Parra's campaign in 2002 and may have to come up with an equal amount in 2004 to keep her safe. She's considered one of the more vulnerable Assembly Demos...

☒ **47th AD Update** – Former L.A. City Councilman Nate Holden made it official: he's running for Speaker Herb Wesson's 47th AD seat in the Demo primary. And even though Wesson used to be Holden's COS, Wesson is backing another Demo, attorney Rickey Ivie. This AD includes the Crenshaw area, Culver City, Ladera Heights, Leimert Park, Century City, Cheviot Hills, Westwood and the Miracle Mile. Some of this turf was in Holden's council district. Holden's endorsements include Demo Senate Pres. John Burton, Demo Senators Perata, Soto, Vincent; Demo Assemblymembers Dymally, Vargas and Yee. He's also won endorsements from S.F. Mayor Willie Brown and former Demo Speaker Bob Hertzberg. Stay tuned...

CALPEEK'S INFOBAHN: POLITICAL SHORT TAKES.

Editor's note: Here are a few items, political & otherwise, worth noting...

■ **Recall Turnout** – As *Calpeek* hit deadline, the voter turnout for the Oct. 7th recall hit 58.6%, with 481,753 uncounted ballots remaining. When those ballots are added in, the turnout should be just over 61%...

■ **Independents Can Get Demo Ballot in '04** – The Calif. Democratic Party (CDP Executive Board) has voted to allow those registered as independents to vote in the upcoming Demo presidential primary (March 2nd). Oct. 20th was the deadline for giving this approval. The CA Republican Party (CRP) did not take similar action.

Most insiders think it's a pretty smart move by the CDP because there are 2.5 million Decline to State voters in Calif. (16%)...

■ **L.A. Co. DA Cooley Runs in 2004** – 1st term L.A. Co. DA Steve Cooley has formally announced his intent to seek reelection in 2004...

■ **Calif.'s Public Debt** – According to the Calif. Debt and Investment Advisory Commission, Calif.'s total debt as of 8/31/03 is **\$52,806,302,682**. Of this amount, State debt totals \$21,183,245,200. Local debt is \$31 billion. At the end of 2002, total debt stood at \$77 billion and in 2001 it was \$45.2 billion...

■ **U.S. Rep. Thomas Angers Pres. Bush** – As reported in the *Bakersfield Californian*, House Speaker Dennis Hastert has taken U.S. Rep. Bill Thomas (R-Bakersfield) out behind the barn with a 2x4. Seems that Thomas, who is known for a hot temper, really let go on Human Services Sec. Tommy Thompson in public. According to the newspaper, Pres. Bush called Hastert and told the Speaker he wanted action taken against Thomas. Hummm...

CALPEEK'S NEW JOBS AND PERSONNEL NOTICES.

Editor's note: Here are some items to mark down in your notebook...

● Longtime San Berdu Co. Sheriff Dept. lobbyist Lt. Paul Curry has retired from active service, moved to Sacramento and opened a new lobbying firm: Paul R. Curry & Assoc., 1127 11th St., Ste. 242, Sacto 95814. (916)849-3475...

● A change in management at Infinity Broadcasting and thus KNX Newsradio's 1st and only GM, George Nicholaw, has departed after 36 years. His last day was Oct. 10th...

● PR News has named MWW Group's Harvey Englander as *Public Affairs Executive of the Year*. Englander is head of MWW's L.A. office...

● Probolsky Research moved to 23276 S. Point Dr., Ste. 206, Laguna Hills, CA 92653. (949)855-6400...

● Smith Kaufman LLP has relocated its law offices to 777 S. Figueroa St., Ste. 4050, L.A. 90017 (213)452-6565...